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CENTRAL INTELLIGENCE AGENCY

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SUBJECT Effects of the New Djibouti Franc  
on Foreign Trade and Exchange Rates

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SUPPLEMENT TO  
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1. Since the establishment of the Djibouti franc on 20 March 1949, various adjustments of foreign exchange rates and exchange regulations have been made by the Government of French Somaliland and the Banque de l'Indo-Chine in an effort to hold down salaries and the cost of living in the Colony.
2. Merchants were permitted to make remittances to France until 31 March 1949 at the old rate of 1 Djibouti franc to 2 French francs. All outstanding commercial commitments as of 20 March 1949 were allowed to be settled at the rate of 1:2, and orders for goods in normal amounts were allowed to be placed at the old rate of 1:2 until 31 March 1949. These measures were taken for the specific purpose of preventing an immediate rise in the cost of living in the Colony, and were effective up to 20 April 1949, although a rise in costs is inevitable in the future, source states.
3. Transfers of funds from metropolitan France to Djibouti are strictly controlled, in order to prevent purchases of United States dollars. Upon receipt of authorization such transfers may be made for personal use only, at 1.45 metropolitan francs to 1.0 Djibouti franc.
4. The rate allowed commercial firms for purchases in France is 1.22 metropolitan francs to 1.0 Djibouti franc, thus making French goods more expensive in the Colony than before the new currency was introduced. (The normal exchange rate set by the Banque de l'Indo-Chine on 20 March 1949 was 1.0 Djibouti franc to 2.0 metropolitan francs.) This rate (1.0 to 1.22) has probably been set up so as to discourage diversion of French goods from dollar markets to the Colony, source states.
5. The exchange rate between the Djibouti franc and the pound sterling was set on 20 March 1949 at 717.30:1, but on 20 April 1949 this was reduced to correspond to the open market rate for pounds sterling in dollars in New York. The hypothetical rate for pounds sterling in London is now 694.0. This has resulted in making British goods cheaper in Djibouti and probably will increase trade between Britain and the Colony.

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6. The buying rate for the U.S. dollar has been slightly reduced from 215.4 to 214.0 Djibouti francs. The new currency has made it possible to import some luxury goods from the United States, such as cigarettes, at cheaper rates than before 20 March 1949, when it was necessary to use U.S. dollars at black market rates for such purchases.
7. Previous to 20 March 1949 the open market rate was 3.250 Ethiopian dollars, but it fell to 3.00 on 1 April 1949 and has since risen to 3.125 with little demand.\*
8. Transfers to the United States in Djibouti amounted to 50,000 U.S. dollars during the first week of April 1949. The Banque de l'Indo-Chine bought U.S. dollars in Addis Ababa during the first half of April 1949 at rates ranging from 3.08 Ethiopian dollars to 3.125, probably for the purpose of replenishing its U.S. \$2,000,000 currency reserve in the United States.

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\* ~~CONFIDENTIAL~~ Comment. The new currency and exchange rates will probably result in stabilizing the U.S. dollar in Ethiopia at 3.125 Ethiopian dollars.

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